

Exclusive: Lynd Co. CEO on how pandemic pivoted Pearl-area project from retail to mixed-income housing

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The Shavano Park-based Lynd Co. and the San Antonio Housing Authority are working together on a \$58.3 million apartment development at 120 Josephine St., steps away from Pearl, the Business Journal reported last week.

The development is planned to include 220 one-bedroom units and 39 two-bedroom units from 464 to 1,350 square feet, as well as a clubhouse, a pool, 340 internal parking spaces and a fitness center, according to SAHA. Construction will take about 21 months. Bartlett Cocke General Contractors is building the project designed by Bill Davies of Austin-based Davies Collaborative. San Antonio Housing Facility Corp., a SAHA entity, will also serve as a general contractor.

The project began as a joint venture with Fulcrum Development as a mixed-use development with a substantial commercial footprint, but plans have changed. Lynd Co. CEO David Lynd spoke with the Business Journal about this pivot in direction, the project's conception and how the partnership with SAHA came to be. This interview has been edited for clarity and length.

What do you envision for this project, and how has that plan changed since conception? When we first started taking a look at the Pearl [area] project, we had a fair amount of retail scheduled in there just because it's downtown. It's near the super high-rent district, and commercial tenants are looking for a way to access those residents. Obviously, when the pandemic shifted, retail took a pretty big hit, and no one knows when retail shops are going to open up again, so we had to pivot our strategy on what kind of project made sense there.

Since that large shift in demand from retail to no retail happened, we needed to build a project that we feel could get financed. And so, we had already done one project with the San Antonio Housing Authority. Now that we're going to add more units and less retail, we immediately thought of them as a partner.

Obviously, Pearl is a challenging place to find affordable housing. Everything down there is super high in rent. The demand is very strong. There's not a lot of vacancies down there, and it's probably is the most desired submarket in San Antonio to live at this point, especially for renters, because there's just so much to do in the area.

When we saw the potential and that the market had shifted on us, we approached SAHA about the opportunity and expressed to them that this is a very rare opportunity to create affordable housing in that area — and that if projects like ours don't get built and done, there won't be a lot of affordable housing down in that area.

Could there still be any retail in the building, or will it be entirely residential? We are looking at carving out a few niche retail locations in the project. That's fluid and up in the air, just depending on our capital partner, what their risk profile is and whether they want to take that risk with retail or not. But I think for certain we're going to try to carve out [3,000] to 10,000 square feet of retail to start selling services, restaurants or whatever we try to put in there. That makes the building more attractive for the resident profile.

We did have a bunch of retail. Now we have an option with no retail and some retail. And as the market unfolds [we'll be] able to identify either tenants that want to take that space that are a good fit — or we have a second round of Covid and there's another shutdown in the United States and retail takes a second blow, [then] probably not much retail. So it all depends on having the flexibility to change if we need to and being prepared to shift on the fly if the world throws us a curveball.

How long have you been looking to develop at that property? We've been obviously eyeing an opportunity to build down at Pearl for a while, and when the opportunity came up, we just loved the location. We love the proximity to the hotel. We love the proximity to all the live-work-play elements. And then of course, the rents are pretty strong in that area, so we've been looking at the submarket, and when this opportunity came up, we obviously struck on it.

What has been your relationship with Materials Marketing, which currently operates its headquarters at the property? It's a sale-leaseback, so when we close the building, they'll move. And so they're staying in the building and paying rent until we get to the point where we will shut it down and start demolition of the building.

When will that happen? We think that sometime around October or November we will be closing on the dirt, and then eight months from then — so probably about a year from now.

What are you most looking forward to about this development? There are some really neat design features on it. We've got a rooftop pool, and we're going to plant a garden on the roof so people can garden their own vegetables and fruits. We've got a yoga studio going on the rooftop for sunrise and sunset yoga.

And like I said, we'll have some select commercial components potentially carved out of it, and we will be doing a lot of programming for the culture and the atmosphere there at the site.